

Centre Number	Candidate Number	Name
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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES

7115/01

Paper 1

October/November 2006

1 hour 45 minutes

Candidates answer on the Question Paper.
No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [] at the end of each question or part question.

For Examiner's Use	
1	
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This document consists of **11** printed pages and **1** blank page.



(c) How could one element of the marketing mix, other than price, be used to increase Gulliver's sales of holidays?

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(d) Gulliver researched the market by giving a questionnaire to families at the end of their holidays.

(i) Explain why the business might have used this method of gathering data.

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(ii) Explain one reason why the data gathered might not be accurate.

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2 Giovanni had been to see his bank manager to talk about ways of financing the growth of his business. He wanted to open five new shops selling electrical goods such as televisions and radio equipment. The bank manager told him that he must think very carefully about the capital needs of this expansion which would involve both fixed and current assets. The bank manager told Giovanni that he would need to see the accounts of the business including a cash flow forecast before the bank could increase its lending.

(a) (i) Explain what is meant by a fixed asset.

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(ii) Give an example of a current asset that Giovanni's business would own.

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(iii) What is meant by a cash flow forecast?

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(b) (i) Explain **two** reasons why the bank manager would want to see the accounts of the business before increasing the bank's lending to Giovanni.

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4 Gurinder Singh set up his successful business ten years ago. Gurinder makes all the decisions in his business. He tells staff what to do and he expects them to follow his orders. Gurinder doesn't hold meetings as he feels that they are unnecessary and a waste of time. 'Why consult and discuss when I know best,' he said. 'Everyone who is employed in my company is directly answerable to me. I pay high wages and I expect results. Everyone knows that if they don't work hard I will dismiss them. Employees like my wages even if they don't like me!'

(a) (i) Describe the management style used by Gurinder.

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(ii) Do you think that this is a good way to manage a business? Justify your answer.

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(b) It has been suggested to Gurinder that he might introduce delegation into his business. Explain what is meant by delegation.

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(c) Recently Gurinder dismissed an employee for failing to carry out his orders.

(i) Is this an example of an employee being made redundant? Explain your answer.

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(ii) To what extent do you think high wages motivate staff in companies such as Gurinder's?

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5 J.T. Enterprises is a large private sector business that owns a number of farms in country A. The business breeds a variety of animals such as cows and sheep as well as growing crops. They employ many workers and the business is successful and profitable.

(a) Why is profit important to a business such as J.T. Enterprises?

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(b) Using an example from J.T. Enterprises explain what is meant by added value.

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(c) Many farmers such as J.T. Enterprises export their animals and crops. If the currency of Country A depreciates on the foreign exchange markets explain how this could affect the sales of J.T. Enterprises in export markets.

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